

DOCKET SECTION

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268

RECEIVED
Nov 6 11 42 AM '97

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes

Docket No. R97-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 5

(November 6, 1997)

The Postal Service is requested to provide the information described below to assist in developing a record for the consideration of its request for changes in rates and fees. In order to facilitate inclusion of the requested material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at our hearings. The answers are to be provided within 14 days.

1. Please refer to the following table which presents witness Musgrave's volume forecasts for Priority Mail and the annual growth rates implied by those forecasts.

a. Explain why the forecast growth rate for Priority Mail drops from 13.08 percent in GFY 1997 to 6.72 percent in TYBR (GFY 1998).

b. Also explain the low Priority Mail growth rates of 3.31 percent and 3.71 percent forecasted for TYAR (GFY 1998) and GFY 1999 respectively.

**Priority Mail Volume Forecasts and
Annual Growth Rates**

| Item | Volume (Thousands) | Percent Change |
|-------------------------|-------------------------------|---------------------------|
| GFY 1996 (Base Year) | 937,273 <u>1/</u> | |
| GFY 1997 (Before Rates) | 1,059,882 <u>2/</u> | 13.08% |
| GFY 1998 (TYBR) | 1,131,156 <u>2/</u> | 6.72% |
| GFY 1998 (TYAR) | 1,094,946 <u>2/</u> | 3.31% |
| GFY 1999 (After Rates) | 1,135,563 <u>3/</u> | 3.71% |

1/ FY 1996 RPW

2/ USPS-T-8, Table 1 (Revised 8/18/97)

3/ LR-H-125, "Before Rates and After Rates Forecasts
for Priority Mail and Express Mail," page 9
(Revised 8/18/97)

2. Please reconcile the FY 1996 volume for Certified Mail (269,730,120 transactions) listed in USPS LR-H-145, "FY 1996 Billing Determinants," Section K, Table 1, with the FY 1996 volume for Certified Mail (270,832,000 transactions) listed in FY 1996 RPW (revised 4/18/97).

3. Please identify the source of the FY 1996 COD transactions shown in column 1, WP-5, USPS LR-H-206, "Diskettes of Witness Needham's (USPS-T-39) Testimony and Workpapers."

4. Refer to USPS LR-H-206, "Diskettes of Witness Needham's (USPS-T-39) Testimony and Workpapers," WP-15, "Stamped Envelopes Test Year Volumes and Revenues."

a. Please explain why the TYAR volume (25,605,102 envelopes) for Printed 6¾ Regular, Window, Precanceled Regular and Precancelled Widow is different from the TYBR volume (26,033,975 envelopes).

b. Refer to column 4. Please explain why the number of Test Year box lots for Plain 6¾ banded (62,713 boxes) and Plain 10 banded (87,699 boxes) envelopes are calculated by dividing the number of total envelopes by 50, rather than 500.

c. Refer to column 1, which lists FY 1996 total envelope sales adjusted to account for the difference between GFY 1996 and PFY 1996 workdays. Please explain why Plain 10 inch Hologram FY 1996 total envelope sales (11,889,500 envelopes) is the only number in this column that has not been multiplied by the ratio of GFY 1996 workdays to PFY 1996 workdays.

5. Refer to USPS LR-H-206, "Diskettes of Witness Needham's (USPS-T-39) Testimony and Workpapers," WP 9, "Parcel Airlift Test Year Volumes and Revenues," column 5. Please explain why the Library Rate TYAR volume (28,728 units) is excluded from the total TYAR volume for Primary Services (1,009,913 units) used to forecast Parcel Airlift Mail TYAR volumes.

6. Refer to USPS LR-H-206, "Diskettes of Witness Needham's (USPS-T-39) Testimony and Workpapers," WP 8, "On-Site Meter Settings Test Year Volumes and Revenues." Please show, step-by-step, the calculation of the number (0.52932) entered in the cell named "RATIO" which is located at AO38 on the spreadsheet "onsmeter.wk3."

7. Refer to USPS LR-H-206, "Diskettes of Witness Needham's (USPS-T-39) Testimony and Workpapers," WP 13, "Special Handling." Please identify the source of the FY 1996 Primary Services volumes for Special Rate (190,072 pieces) and Library Rate (30,191 pieces).

8. Refer to USPS LR-H-207, "Diskette of Witness Plunkett's (USPS-T-40) Testimony and Workpapers," WP 2, "Insurance," columns 2 and 3. Please provide the source of TYBR (18,000) and TYAR (17,000) transactions for indemnity of \$2,000.01 - \$5,000.

9. Refer to USPS LR-H-207, "Diskette of Witness Plunkett's (USPS-T-40) Testimony and Workpapers," WP 3, "Restricted Delivery," and WP 4, "Return

Receipts." Please identify the source of the Primary Service TYAR volume (289,956 pieces) for Certified Mail.

10 Refer to USPS LR-H-207, "Diskette of Witness Plunkett's (USPS-T-40) Testimony and Workpapers," WP-4, "Return Receipts," columns 2 and 3.

a. Please explain why the TYBR and TYAR transactions for Registry with Return Receipt are forecast using Insurance volume, instead of Registry volume.

b. Also, please explain why the TYBR and TYAR transactions for Insurance with Return Receipt are forecast using COD volume, instead of Insurance volume.

11. Refer to USPS LR-H-207, "Diskette of Witness Plunkett's (USPS-T-40) Testimony and Workpapers." Please identify the source of the adjustments for Packaging Service in the following workpapers: WP 1, "Certificate of Mailing" (2,457 transactions); WP 2, "Insurance" (427,034 transactions); and WP 4, "Return Receipts" (8,598 insurance and 5,118 merchandise transactions).

12. Final Cost and Revenue Adjustments

Final cost and revenue adjustments for BPM are developed in USPS-T-38, Workpaper BPM31. The unit cost with contingency for unbarcoded volume changes from the TYAR Forecast (\$0.598755) to TYAR Adjusted (\$0.609916). Both include an adjustment for current volume presently barcoded. Two additional adjustments are made in the development of the TYAR adjusted unit cost (Cell L49 on worksheet "Final Adjustments:")

- additional barcoded volume; and
- new volume over 10 pounds.

Please justify these two additional adjustments. If the adjustment for new volume over 10 pounds is justified, should an adjustment be made to the unit cost of new volume over 10 pounds (\$1.122256)? If not, why not? If so, please provide the correct adjustment.

If these two adjustments are justified for BPM, please explain why similar adjustments are not included in developing the unit cost of unbarcoded volume for Library Rate (USPS-T-38, Lib 8, page 2).

If the adjustment for the additional barcode volume is justified, please explain why a similar adjustment is not included in the development of the unit cost of unbarcoded volume for Special Standard (USPS-T-38, Workpaper SR7, page 2).

Please provide any revised documentation.

13. Parcel Post

Please explain why the "Additional Nontransportation Costs of New Volume over 108 Inches" (Line 5, USPS-T-37, Workpaper 1.1, page 2) should have a markup applied while the other adjustments to costs, such as "Prebarcode Cost Savings" (Line 17) do not have a markup applied.

14. USPS Library References H-2 and H-3 are the FY 1996 Cost and Revenue Analysis report and the Cost Segments and Components report. These reports are the Fiscal Year 1996 equivalent of witness Alexandrovich's Exhibits 5A through 5C. Please provide the following workpapers and backup material that were used to develop the library references, above.

a. Cost Segment workpapers, equivalent to witness Alexandrovich's "B" workpapers. Also, please provide the electronic version of the workpapers as was provided for the Base Year workpapers in USPS LR-H-201.

b. The CRA Manual Input reports, the A report, the B report, and the C report. These are equivalent to witness Alexandrovich's workpapers A-1 through A-4. Please provide an electronic version of the Manual Input report similar to that found in USPS LR-H-6.

15. Please provide all workpapers showing formulae and calculations for the cash flow forecasts for FY 1997, Test Year Before Rates, and the Test Year After Rates as shown in USPS Exhibit 9-F, revised 9/04/97. If the workpapers are on a spreadsheet

or other computerized format, please provide the workpapers on a diskette or a CD-ROM.

16. Please provide all workpapers showing formulae and calculations for the estimates of investment income for FY 1997, Test Year Before Rates, and Test Year After Rates as shown in USPS Exhibit 9-G. The workpapers should show the derivation of the estimated average investment balance and how these estimates are tied to the estimates of the estimated cash flows. If the workpapers are on a spreadsheet or other computerized format, please provide the workpapers on a diskette or a CD-ROM.

17. USPS-T-22, page 18, states that "worksheet C-1, include costs such as scanning equipment depreciation, information systems hardware and software development, and training." Please identify which of the costs in Table C-1 are depreciation costs.

18. Response to ABA&EEI&NAPM/USPS-T32-6 states that bulk metered mail "has the features commonly associated with First-Class metered mail. Please describe these features.

19. Please refer to LR H-106, page II-10.

a. Does the calculation of the bulk metered mail benchmark assume that bulk metered mail and non-metered mail follow the same processing path? Please explain.

b. What is the purpose of, and rationale for, the 'rescaler'?

c. Please explain what column 2, 'Tallies for all Indicia,' represents.

d. Are these tallies representative of First-Class as a whole? Please explain.

e. What characteristics of bulk metered mail make it more expensive to process in mods pool ocr (.678 cents) than non-metered mail (.484 cents)?

f. What characteristics of bulk metered mail make it more expensive to process in mods pool bcs (1.766 cents) than non-metered mail (1.708 cents)?

g. In general, is it logical that bulk metered mail, which is presumably 'clean' mail, is only 1.16 cents cheaper to process than non-metered mail which presumably includes handwritten addressed mail? Please discuss.

20. Refer to LR H-146, pages IV-8 through IV-19. Please explain why IOCS tallies for operations unrelated to the MODS cost pool titles are included in the pools. For example, why are 44,877 in OCR costs found in the mods 11 bcs cost pool?

A handwritten signature in black ink, appearing to read "Edward J. Gleiman", followed by a long horizontal flourish.

Edward J. Gleiman
Presiding Officer